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RUEHUL/AMEMBASSY SEOUL IMMEDIATE 1137
RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 9652
RUEHNH/AMCONSUL NAHA IMMEDIATE 2015
RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 3393
RUEHKS/AMCONSUL SAPPORO IMMEDIATE 0233
RUEHIN/AIT TAIPEI IMMEDIATE 7127
RUEAIIA/CIA WASHDC IMMEDIATE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE
RHEFDIA/DIA WASHINGTON DC IMMEDIATE
RHHMUNA/HQ USPACOM HONOLULU HI IMMEDIATE
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RUEATRS/TREASURY DEPT WASHDC IMMEDIATE
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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 002400

SIPDIS

E.O. 12958: DECL: 09/01/2018

TAGS: [PGOV](#) [ECON](#) [JA](#)

SUBJECT: FUKUDA RESIGNS, WITH CONSEQUENCES FOR OEF, DIET,
ELECTION

Classified By: CDA James P. Zumwalt, reasons 1.4(b),(d).

11. (C) Summary. Prime Minister Fukuda surprised the nation on September 1 by unexpectedly announcing his intention to resign in a hastily-arranged, late-evening news conference. Ruling party executives have moved quickly to set in motion plans for a new LDP presidential election, likely in the September 21-22 timeframe and around the time the opposition DPJ is slated to announce its own new leadership slate at a party convention. The LDP will delay the opening of the fall Diet session beyond its previously scheduled September 12 start date to accommodate its election. The new LDP President is expected to be elected Prime Minister at the opening of that session, given the LDP's numerical superiority in the Lower House. At this point, the press has speculated that possible candidates in the LDP election are party Secretary General Taro Aso and former Defense Minister Yuriko Koike, among others. Fukuda's resignation increases the likelihood of a general election before the end of this year, or early next year, and does not bode well for passing legislation to extend Japan's refueling efforts in support of Operation Enduring Freedom, Embassy contacts say. End Summary.

12. (C) Prime Minister Fukuda, in a move that newspaper accounts say surprised even his own wife, announced his resignation in a live news conference at 9:30 p.m. on September 1. In his remarks to the press, Fukuda cited his inability to overcome the impasse in the Diet as his primary motive for resigning, and expressed hope that by resigning now, he could "avoid creating a political vacuum." Press reports on September 2 also cited friction with junior coalition partner Komeito over Diet scheduling and key legislative initiatives, as well as an office expense scandal involving Agriculture Minister Seiichi Ota, as key factors that increased the pressure on Fukuda to resign at this time. Leading opposition politicians quickly labeled Fukuda "irresponsible" for "abandoning" his duties, but ruling party officials have been quick to point out that it was opposition obstructionism that had prevented Fukuda from achieving his legislative objectives.

13. (C) Embassy contacts have been fairly unanimous over the past month in predicting a Lower House election later in the year or early next year. If anything, Fukuda's announcement makes this possible dissolution timetable even more likely,

particularly since his successor will be the third prime minister to take office without an intervening general election. (Note: The last Lower House election was held in September 2005. The term of the members elected in 2005 will expire in September 2009, unless the House is dissolved first.) This combination of a delayed start to the fall Diet session and an early finish will greatly diminish the prospects during this session for passing the legislation needed to extend Japan's refueling activities in the Indian Ocean in support of Operation Enduring Freedom, as well as other Fukuda initiatives, according to Embassy contacts. As one pessimistic contact bluntly put it, "the OEF refueling legislation is already in the trash can."

¶4. (C) Already, news reports are noting that the impact of Fukuda's decision could extend to everything from a postponement of the Japan-China-ROK trilateral summit tentatively scheduled for September 21, to a backing away from commitments in Iraq and Afghanistan, to a delay in progress with North Korea on the abductions issue. Multiple press reports on September 2 quoted former U.S. officials expressing "shock" over Fukuda's sudden announcement and suggested a possible deleterious impact on the bilateral alliance. The aftershocks could certainly ripple through the implementation of the Defense Policy Review Initiative (DPRI) and other bilateral security cooperative efforts. Of immediate concern is the funding for the relocation of U.S. Marines to Guam and the upgrading of CH-47 helicopters to be used for international peace cooperation activities, both of which are included in the Japanese government's supplemental

TOKYO 00002400 002 OF 002

budget request to be submitted at the beginning of the fall Diet session.

¶5. (C) Ruling Liberal Democratic Party (LDP) executives gathered early on September 2 to discuss the procedures for electing a successor. They are reportedly leaning toward a vote on September 21 or September 22, hoping to draw attention away from an opposition Democratic Party of Japan (DPJ) convention scheduled for that time. One news account quoted Fukuda as saying that he had made up his mind to resign on August 29, but had chosen to wait until September 1 to announce the decision in order to overshadow DPJ leader Ichiro Ozawa's official announcement that he will stand for re-election as DPJ President. It is also noteworthy that the registration deadline for LDP candidates -- 12 days prior to an election -- will coincide roughly with the registration cut-off for the DPJ leadership election. Ozawa is widely expected to run unopposed, with some Embassy DPJ contacts fearing that an uncontested election could damage party efforts to win support in the next general election.

¶6. (C) LDP rules, which can be re-written on an ad hoc basis with the approval of its members, require presidential candidates to secure the support of 20 party members. Under the most recent version of the rules, a candidate must receive a majority of the votes, with one vote granted to each of the 387 LDP Diet members and another 300 votes granted to the 47 LDP prefectural chapters, some of which are allocated on a proportional basis and others decided on by local party executives. The number of votes accorded to local LDP members could be significant. At this point, the press has speculated that possible candidates in the LDP presidential election are party Secretary General Taro Aso and former Defense Minister Yuriko Koike, among others.

¶7. (C) Fukuda took office on September 15, 2007, shortly after the surprise resignation of Prime Minister Shinzo Abe. While the exact timing of Fukuda's resignation appears to have caught even party insiders by surprise, Embassy contacts concede that his move was not entirely unexpected. After keeping Abe's last reshuffled Cabinet in place for nearly eight months, Fukuda finally succumbed to calls to appoint a new lineup on August 1, hoping to improve his popular appeal with voters. The personnel changes did little to raise his

cabinet support rate, however, which had fallen to just under 20 percent in some polls in May before recovering slowly over the past several months to the 30 percent range. His focus on "people oriented" policies, such as creation of a consumer affairs agency and an economic stimulus package, also did little to boost public support, with most polls indicating that he has consistently failed to convey his "message" to the public. At the same time, he has received little credit domestically for his diplomatic efforts to improve relations with Asian neighbors or his successful hosting of the G-8.

ZUMWALT